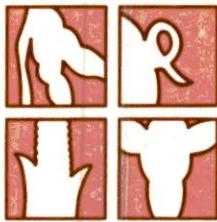




Cooperative
Extension Service
University of Illinois
at Urbana-Champaign



WEEKLY OUTLOOK

Department of Agricultural Economics
College of Agriculture
University of Illinois at Urbana-Champaign

November 12, 1987

EXPORT PROJECTIONS INCREASED

The USDA's November *Crop Production and Supply and Demand* reports were released on November 9. Changes in production estimates were small, but the projections of exports for corn, wheat, and soybeans were all increased. The projections of carryover stocks for those crops were also lowered.

Corn. The 1987 corn crop is now estimated at 7.166 billion bushels. This is not much different than the October estimate of 7.139 billion but 13 percent less than the 1986 harvest. The U.S. average yield was record large at 120.3 bushels per acre, but harvested acreage was down by 9.63 million acres from last year. With carryover stocks of 4.882 billion bushels and imports of 2 million bushels, the supply of corn for the 1987-88 marketing year totals 12.05 billion bushels, only 2 percent less than the 1986-87 record.

Due to increased livestock numbers, the feed and residual use of corn is expected to increase by nearly 2 percent to 4.8 billion bushels. Food, industrial, and seed use of corn is projected at 1.225 billion bushels, about 3 percent more than was used last year. Exports are now projected at 1.7 billion bushels, 100 million more than projected last month and 200 million bushels above last year's exports. Total use of 7.725 billion bushels would leave a carryover of 4.325 billion bushels, 557 million bushels less than beginning stocks. Stocks would still represent about a 7-month supply, however. We continue to believe that feed and residual use of corn has been overestimated and that carryover stocks could exceed the current USDA projection. In any case, the surplus will continue to be large and prices will likely remain below the Commodity Credit Corporation (CCC) loan rate through the winter months. A further acreage reduction program (beyond the 20 percent reduction already announced) will be required for 1988 in order to insure a continuation of the reduction in surplus stocks.

Soybeans. The 1987 soybean crop is estimated at 1.96 billion bushels, compared to the October figure of 1.968 billion and the 1986 crop of 1.94 billion bushels. The national average yield of 34.1 bushels is equal to the 1985 record. With carryover stocks of 436 million bushels, the supply of soybeans for the 1987-88 marketing year totals 2.396 billion bushels, 3 percent less than the record supply of a year ago.

On the demand side, the USDA expects domestic soybean meal use to increase by nearly 4 percent to a record 21.2 million tons. Meal exports are forecast to decline by 200 thousand tons to 7.1 million. Domestic soybean oil use is forecast to increase by 3.5 percent to a record 11.25 billion pounds. Oil exports are expected to increase by 23 percent to 1.4 billion pounds. Strong product demand is expected to support the domestic crush of soybeans at a record 1.2 billion bushels.

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Soybean exports are forecast at 725 million bushels, 32 million less than exported last year, but 25 million more than forecast last month. With seed, feed, and residual use of soybeans at 96 million bushels, total use is forecast at 2.04 billion bushels, allowing a reduction in ending stocks to 375 million bushels. Stocks at that level would represent only about a 2-month supply, down from a 3.5-month supply on September 1, 1986, and a 2.5-month supply on September 1, 1987. Stocks would still be large by the standards of the 1970s when ending inventories averaged about a one-month supply.

The improved demand situation and smaller carryover projection open the door for soybean prices to react to several potentially positive developments in the future. These factors include Soviet buying of soybeans and soybean meal, smaller-than-expected crops in South America, or a further reduction in U.S. soybean acreage in 1988.

Wheat. The only change in the supply and demand projections for wheat was a 50-million-bushel increase in the export figure. Exports for the 1987-88 marketing year are projected at 1.275 billion bushels, up 27 percent from last year. Strong domestic demand in conjunction with increased exports is expected to result in total use of 2.48 billion bushels, the largest level of use in 3 years. Carryover stocks are forecast at 1.461 billion bushels, the lowest level in 3 years. Ending stocks would still represent a 7-month supply of wheat. Further price increases may be modest unless dry weather seriously threatens the 1988 winter wheat crop.



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